FragranceNet.com, Inc. v. FragranceX.com Inc. Doc. 44

MOSES & SINGER LLP

THE CHRYSLER BUILDING
405 Lexington Avenue, NY, NY 10174-1299
Tel: 212.554.7800 Fax: 212.554.7700
www.mosessinger.com

David Rabinowitz
Direct: 212.554.7815
drabinowitz@mosessinger.com

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VIA ELECTRONIC FILING

Hon. A. Kathleen Tomlinson
United States District Court
Eastern District of New York
100 Federal Plaza
P.O. Box 9014
Central Islip, New York 11722

Re: FragranceNet.com, Inc. v. FragranceX.com, Inc., CV-06-2225

Dear Judge Tomlinson:

We are counsel to defendant FragranceX.com, Inc. Pursuant to your Honor's Rules, we hereby move that discovery in this case be bifurcated between liability and damages because the likelihood of a determination of no liability is substantial and because discovery on damages will be extensive and require the disclosure of competitively sensitive information to counsel for a competitor. Bifurcation has been ordered in such circumstances.

Whether to bifurcate discovery between liability and damages lies in the sound discretion of the trial court. *Priority Records, Inc. v. Bridgeport Music, Inc.*, 907 F. Supp. 725, 734 (S.D.N.Y. 1995); *Moriarty v. LSC Illiniois Corp.*, 1999 WL 1270711, at *7 (N.D. Ill. 1999). In exercising their discretion, the courts have considered whether there is a substantial likelihood that the case would be dismissed at the end of the liability phase, and whether the discovery on liability and damages is sufficiently distinct that a saving of time and effort would be accomplished. *See, e.g.*, *Red Ant, L.L.C. v. Sony Music Entm't, Inc.*, 1998 WL 249195, at *3 (S.D.N.Y. May 15, 1998); *Ocean Atl. Woodland Corp. v. DRH Cambridge Homes, Inc.*, 2004 WL 609326, at *2 (N.D. Ill. Mar. 23, 2004). The courts have also considered the prejudice to defendant from discovery into its profits - and therefore its private financial information – which would be completely unnecessary if the case were dismissed in the liability phase. *See, e.g.*, *Industria Metalicas Marva, Inc. v. Lausell*, 172 F.R.D. 1, 4 (D.P.R. 1997) ("[t]he streamlining of issues that would result from bifurcation would protect the defendant's financial information and marketing plans, the procurement of which could prove unfairly valuable to the plaintiff for reasons outside the realm of this litigation.").

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Here, defendant expects to move for summary judgment at the end of discovery on liability. Plaintiff's copyright claim suffers from the infirmity that the photographs in question are of doubtful copyrightability for at least two reasons: they appear to include no creative authorship and they are made up of what appear to be unlawful copies of copyrightable matter owned by others, namely the fragrance manufacturers whose bottles and boxes they photographed.

Plaintiff's photographs, as is apparent from the examples attached to its Second Amended Complaint, consist of nothing more than a picture of the box and bottle of a fragrance put side by side. Photographs are copyrightable if there is creative authorship in selecting and arranging the matter to be photographed or in the taking of the photographs. *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53 (1884); *Rogers v. Koons*, 960 F.2d 301, 307 (2d Cir. 1992); *Liebovitz v. Paramount Pictures Corp.*, 137 F.3d 109, 116 (2d Cir. 1998). Here, while we are awaiting discovery on the making of the photographs, they appear to be nothing but purely utilitarian pictures of all of the products that plaintiff has been selling. In similar cases, copyright has been rejected. *Oriental Art Printing, Inc. v. Goldstar Printing Corp.*, 175 F. Supp. 2d 542 (S.D.N.Y. 2001), *aff'd*, 34 Fed. Appx. 401 (2d Cir. 2002); *The Bridgeman Art Library, Ltd. v. Corel Corp.*, 36 F. Supp. 2d 191 (S.D.N.Y. 1999).

In addition, under 17 U.S.C. §103(a), for a work using "preexisting material," like bottles and boxes created by others, "copyright does not extend to any part of the work in which such material has been used unlawfully." Discovery will reveal whether plaintiff got consent from the creators of the fragrance bottles and boxes to make pictures of their original work. Since plaintiff's pictures consisted entirely of pictures of such preexisting material and because such material is copyrightable,[1] lack of consent would make plaintiff's pictures completely unlawful and therefore completely uncopyrightable.

Consequently, there is a considerable likelihood that this case will be dismissed on the issue of liability. *Warner Bros. Inc. v. ABC*, 720 F.2d 231, 240 (2d Cir. 1983) ("a court may determine non-infringement as a matter of law on a motion for summary judgment, either because the similarity between the two works concerns only '*non-*copyrightable elements of the plaintiff's work'...or because no reasonable jury, properly instructed, could find that the two works are substantially similar" (cit. om.)); *Weever v. Executive Producer*, 178 F. Supp. 2d 417, 418-19 (S.D.N.Y. 2001) (same); *Sinicola v. Warner Bros., Inc.*, 948 F. Supp. 1176, 1184 (E.D.N.Y. 1996) (same); *Bridgeman Art Library*, 36 F. Supp. 2d 191 (summary judgment to defendant on plaintiff's claim that defendant's copies of transparencies of works of art infringed copyright because transparencies were not original or copyrightable).

This conclusion is reinforced by the complete lack of interest plaintiff has shown in the copyright claims since service of the Answer in August 7, 2006. This case was filed on May 12, 2006. The pleadings, even including two amended complaints, were

[1] Many fragrance manufacturers even register copyrights in their packaging, even though registration is not required for copyright. 17 U.S.C. §408(a).

complete on September 19, 2006. Plaintiff has made no effort to pursue these claims. Since last year, all plaintiff has done on its own initiative has been to move unsuccessfully to add trademark and unfair competition claims to the complaint.

In addition, there is likely to be considerable discovery relating to damages alone. One of the forms of relief that a successful copyright plaintiff can seek is a share of defendant's profits resulting from the infringement. 17 U.S.C. §504(a). Defendant here is a private company whose financial information is not public. Plaintiff and defendant are competitors – they are both online sellers of fragrances. The only way plaintiff could find out defendant's private financial information – sales, profits, capital and the like, all of which would help plaintiff assess defendant's competitive capabilities – would be through discovery in a case like this. While the parties have agreed to a confidentiality order, and while we have no reason to question the integrity of plaintiff's counsel, defendant's private financial information will be a lot more secure if it is never disclosed.

In addition, on the issue of whether plaintiff has been damaged at all, an issue that is implicated in both monetary relief and injunctive relief (both of which are in the demand for relief in the Second Amended Complaint), we will be seeking discovery of plaintiff's sales history for its products. While plaintiff may be willing to open its books, it is still burdensome for defendant to go through obtaining and analyzing plaintiff's sales of several hundred products over a ten-year period.

On top of fact discovery, profits calculations typically involve the retention of accountant experts, who are entirely unnecessary in the liability phase. The current discovery schedule provides for expert reports and discovery. This, too, is a substantial expense that defendant should not be burdened with in a case where liability might easily be disposed of on summary judgment.

In summary, plaintiff's copyright claim here might well be disposed of on summary judgment on the issue of liability, rendering extensive discovery on the issue of damages and attendant expense that could easily reach six figures a complete waste. We respectfully suggest that the Court should exercise its discretion to bifurcate discovery between liability and damages, leaving discovery on damages to await the result of defendant's anticipated summary judgment motion.

The Court's consideration is appreciated.

Respectfully,

David Rabinowitz

cc: Robert L. Sherman, Esq. (via facsimile and first class mail)
Rebecca K. Myers, Esq. (via facsimile and first class mail)